

VILLAGE OF BANCROFT

FINANCIAL STATEMENTS

FEBRUARY 28, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF BANCROFT	County SHIAWASSEE
Audit Date 2/28/06	Opinion Date 4/28/06	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

DEMIS & WENZLICK P.C.

Street Address

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City

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Accountant Signature

Paul Wenzlick CPA

Date

5/16/06

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INDEPENDENT AUDITOR'S REPORT

To the Honorable President
and Village Council
Village of Bancroft, Michigan

We have audited the general purpose financial statements of the Village of Bancroft, and its combining and individual fund financial statements as of and for the year ended February 28, 2006, as listed in the foregoing table of contents. These financial statements are the responsibility of the Village of Bancroft management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with generally accepted auditing standards accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Village has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and business-type activities as required by the Governmental Accounting Standards Board (GASB 34). Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. GASB 34 requires management's discussion and analysis which also has not been prepared.

In our opinion, except for the non-application of GASB 34, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Bancroft as of February 28, 2006, and the results of its operations, and the cash flow of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles in the United States of America. Also in our opinion, the combining individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of the individual fund and account groups of the Village of Bancroft at February 28, 2006 and the results of operations of such funds and cash flows of individual proprietary for the year ended in conformity with generally accepted accounting principles. Our examination was made for the purpose of forming an opinion on the combined financial statements taken as a whole and on the combining and individual fund financial statements.

The accompanying financial information, listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the combined financial statements of the Village of Bancroft. The information has been subjected to the auditing procedures applied in the financial statements of the combined, combining, and individual fund financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Our report of comments and recommendations has been submitted under date of April 28, 2006.

Dennis and Wengert, PC

Certified Public Accountants

Owosso, Michigan
April 28, 2006

VILLAGE OF BANCROFT
COMBINED BALANCE SHEET - ALL FUNDS AND ACCOUNT GROUPS
FEBRUARY 28, 2006

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>INTERNAL SERVICE</u>	<u>ENTERPRISE</u>	<u>GENERAL FIXED ASSETS</u>
ASSETS:					
Cash	\$157,874	\$101,837	\$ 85,578	\$ 117,915	\$
Cash Reserves				37,530	
Prepaid Exp.	6,295		1,005	314	
Accts. Rec.	11,789			16,830	
Due from Other Funds	1,155				
Fixed Assets (Net of Accum. Depr)			86,524	1,083,657	123,147
	<u>\$177,113</u>	<u>\$101,837</u>	<u>\$173,107</u>	<u>\$1,256,246</u>	<u>\$123,147</u>
LIABILITIES:					
Accrued Interest Payable	\$	\$	\$	\$ 15,841	\$
Accts. Payable	3,031			859	
Due to Other Funds			1,155		
Payroll Liab.	595				
Long-Term Debt				1,021,000	
	<u>\$ 3,626</u>	<u>\$</u>	<u>\$ 1,155</u>	<u>\$1,037,700</u>	<u>\$ -0-</u>
FUND EQUITY:					
Investment in General Fixed Assets	\$	\$	\$	\$	\$123,147
Retained Earnings			171,952	218,546	
Fund Balance	173,487	101,837			
	<u>\$177,113</u>	<u>\$101,837</u>	<u>\$173,107</u>	<u>\$1,256,246</u>	<u>\$123,147</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF BANCROFT
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL TYPES
YEAR ENDED FEBRUARY 28, 2006

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>
REVENUES:		
Property Taxes	\$ 89,412	\$
Tax Admin. Fee	884	
State Shared Revenues	66,149	55,580
Franchise Fees	4,547	
Interest & Dividends	4,219	3,101
Licenses & Permits	1,491	
Fines	1,003	
Hall Rental	1,850	
Miscellaneous	4,025	
TOTAL REVENUES	<u>\$173,580</u>	<u>\$ 58,681</u>
EXPENDITURES:		
Village Council	\$ 2,880	\$
Elections	-0-	
Clerk	1,400	
Treasurer	1,766	
Village Office	3,868	
Halls	13,103	
Police	35,674	
Parks/Recreation	2,204	
Village Properties	59,978	
Zoning	5,400	
General Administrative	54,002	
Streets		50,687
TOTAL EXPENDITURES	<u>\$180,275</u>	<u>\$</u>
EXCESS OF REVENUES OVER EXPENDITURES (EXPENDITURES OVER REVENUES)	\$ (6,695)	\$ 7,994
OTHER FINANCING SOURCES (USES):		
Transfer In	\$ -0-	\$ 10,534
Transfers Out	-0-	(10,534)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -0-</u>	<u>\$ -0-</u>
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (6,695)	\$ 7,994
Fund Balance March 1, 2005	180,182	93,843
FUND BALANCE FEBRUARY 28, 2006	<u>\$173,487</u>	<u>\$101,837</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF BANCROFT
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
YEAR ENDED FEBRUARY 28, 2006

	GENERAL FUND			SPECIAL REVENUE FUND		
	BUDGET	ACTUAL	ACTUAL (OVER) UNDER BUDGET	BUDGET	ACTUAL	ACTUAL (OVER) UNDER BUDGET
REVENUES:						
Property Taxes	\$ 84,090	\$ 89,412	\$ (5,322)	\$	\$	\$
Tax Admin. Fee	840	884	(44)			
State Shared Rev.	58,000	66,149	(8,149)	53,500	55,580	(2,080)
Fines	1,100	1,003	97			
Franchise Fee	4,350	4,547	(197)			
Int. & Div.	1,250	4,219	(2,969)	1,000	3,101	(2,101)
License & Permits	1,240	1,491	(251)			
Hall Rental	2,200	1,850	350			
Misc. Income	-0-	4,025	(4,025)			
TOTAL REVENUES	<u>\$153,070</u>	<u>\$173,580</u>	<u>\$ (20,510)</u>	<u>\$ 54,500</u>	<u>\$58,681</u>	<u>\$ (4,181)</u>
EXPENDITURES:						
Village Council	\$ 2,968	\$ 2,880	\$ 88	\$	\$	\$
Elections	-0-	-0-	-0-			
Clerk	1,440	1,400	40			
Treasurer	1,856	1,766	90			
Village Office	3,826	3,868	(42)			
Halls	13,152	13,103	49			
Police	32,286	35,674	(3,388)			
Parks/Recreation	2,205	2,204	1			
Village Propert.	57,891	59,978	(2,087)			
Zoning	6,450	5,400	1,050			
General Admin.	56,746	54,002	2,744			
Streets				54,696	50,687	4,009
TOTAL EXPEND.	<u>\$178,820</u>	<u>\$180,275</u>	<u>\$ (1,455)</u>	<u>\$ 54,696</u>	<u>\$50,687</u>	<u>\$ 4,009</u>
EXCESS OF REVENUES OVER EXPEND. (EXPEND. OVER REVENUES)	\$ (25,750)	\$ (6,695)	\$ (19,055)	\$ (196)	\$ 7,994	\$ (8,190)
OTHER FINANCING SOURCES:						
Transfers In	\$ -0-	\$ -0-	\$ -0-	\$ 10,125	\$10,534	\$ (409)
Transfers Out	-0-	-0-	-0-	(10,534)	(10,534)	-0-
TOTAL OTHER FIN. SOURCES (USES)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (409)</u>	<u>\$ -0-</u>	<u>\$ (409)</u>
EXCESS OF REV. & OTHER SOURCES OVER (UNDER) EXPEN. & OTHER USES	<u>\$ (25,750)</u>	<u>\$ (6,695)</u>	<u>\$ (19,055)</u>	<u>\$ (605)</u>	<u>\$ 7,994</u>	<u>\$ (8,599)</u>
Fund Balance March 1, 2005		180,182			93,843	
FUND BALANCE FEB. 28, 2006		<u>\$173,487</u>			<u>\$101,837</u>	

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF BANCROFT
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
YEAR ENDED FEBRUARY 28, 2006

	<u>PROPRIETARY FUND TYPES</u>	
	<u>ENTERPRISE</u>	<u>INTERNAL SERVICE</u>
OPERATING REVENUES:		
Charges for Services	\$ 87,925	\$ 37,940
Interest Income	3,524	3,915
Hydrant Rent & Misc.	<u>4,500</u>	<u>-0-</u>
	\$ 95,949	\$ 41,855
OPERATING EXPENSES:		
Salaries	\$ 18,979	\$ 4,704
Gas & Oil	-0-	5,621
Operating Supplies	2,655	2,291
Repairs & Maintenance	3,665	4,105
Equipment Rental	2,263	
Contracted Service	13,113	
Utilities & Telephone	3,090	
Audit & Legal	1,761	279
Interest Expense	44,987	
Depreciation	9,084	8,614
Insurance	574	1,926
Miscellaneous	4,484	
Lab Fees	<u>1,093</u>	
TOTAL EXPENSES	<u>\$105,748</u>	<u>\$ 27,540</u>
Operating Income (Loss)	\$ (9,799)	\$ 14,315
OTHER FINANCING SOURCES:		
Transfer In	\$ -0-	\$ -0-
Transfers Out	<u>-0-</u>	<u>-0-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENSES	\$ (9,799)	\$ 14,315
Retained Earnings March 1, 2005	<u>228,345</u>	<u>157,637</u>
RETAINED EARNINGS FEBRUARY 28, 2006	<u>\$218,546</u>	<u>\$171,952</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BANCROFT
STATEMENT OF CASH FLOW
ALL PROPRIETARY FUNDS
YEAR ENDED FEBRUARY 28, 2006

PROPRIETARY FUND TYPES

	<u>ENTERPRISE</u>	<u>INTERNAL SERVICE</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	\$ (9,799)	\$ 14,315
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	9,084	8,614
Increase (Decrease) in Accts. Pay.	577	1,155
Increase in Water Service Rec.	(1,807)	
(Increase) Decrease in Accrued Interest Payable	15,841	
(Increase) Decrease in Prepaid Exp.	<u>35</u>	<u>103</u>
	\$ 13,931	\$ 24,187
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Bonds Payable	\$427,000	\$
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(425,002)	(55,276)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 15,929	\$ (31,089)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>139,516</u>	<u>116,667</u>
CASH AND CASH EQUIVALENTS END OF YEAR	<u>\$155,445</u>	<u>\$ 85,578</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid During the Year for:		
Interest	\$ <u>44,987</u>	\$ <u>-0-</u>

DISCLOSURE OF ACCOUNTING POLICY:

For purposes of the Statement of Cash Flows, the Village considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BANCROFT
ENTERPRISE FUND
DEBT SERVICE CHARGES TO MATURITY
ON BONDED INDEBTEDNESS
FEBRUARY 28, 2006

<u>YEAR ENDED</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>DEBT SERVICE CHARGES</u>
2006	\$ 11,000	\$ 46,314	\$ 57,314
2007	12,000	47,405	59,405
2008	12,000	46,835	58,835
2009	13,000	46,217	59,217
2010	14,000	45,553	59,553
2011 and Thereafter	<u>959,000</u>	<u>845,832</u>	<u>1,804,832</u>
	<u>\$1,021,000</u>	<u>\$1,078,156</u>	<u>\$2,099,156</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF BANCROFT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The accounting policies of the Village of Bancroft conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

FUND ACCOUNTING

The accounting of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that compile its assets, liabilities, fund equity, revenues, and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements. These statements and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

VILLAGE OF BANCROFT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FIXED ASSETS

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Asset Group, rather than in governmental funds. Public Domain ("infrastructure") general fixed assets consisting of certain improvements including buildings, but other than roads, bridges, curbs, and gutters, streets, sidewalks, drainage systems, lighting systems are capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

This account group is not a fund. It is concerned only with the measurements of financial position. It is not involved with measurement or results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

All proprietary funds are accounted for on a cost of service or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheet. Their reported fund equity (Net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

VILLAGE OF BANCROFT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FIXED ASSETS (CONTINUED)

Depreciation of all exhaustible fixed assets used by proprietary funds is shared as an expense against their operation. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives used are as follows:

Infrastructure (Enterprise Funds)	39-50 Years
Equipment	5-20 Years

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and Expendable Trust Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting government and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception of this general rule is accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued.

All proprietary funds are accounted for using the accrual basis method of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

BUDGETS AND BUDGETARY ACCOUNTING

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the clerk submits to the Village Council a proposed operation budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in the Village to obtain taxpayer comments.
3. Prior to March 1, the budget is legally enacted through passage of an ordinance.

VILLAGE OF BANCROFT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETS AND BUDGETARY ACCOUNTING

4. The treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and Enterprise Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CASH AND INVESTMENTS

Investments are stated at cost or amortized cost, which approximate market. Cash includes amounts in demand deposits.

SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

Short-term interfund loans are classified as "due from other funds" or "due to other funds" on the balance sheets. Transactions occurring between individual funds for goods provided or services rendered are also classified as "due to other funds" or "due from other funds" on the balance sheet.

ENCUMBRANCES

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting-under which purchase orders, contracts, or other commitments for the expenditures of resources are recorded to reserve that portion of the applicable appropriation-is utilized in the government fund types. Encumbrances outstanding at year end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. There are no significant encumbrances at year end.

COMPENSATED ABSENCES

No liability is accrued at February 28, 2006, as it is less than on year's liability.

LONG-TERM OBLIGATIONS

The portion of long-term debt expected to be financed from expendable available financial resources is recognized as a liability of a governmental fund when due. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

VILLAGE OF BANCROFT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY TAXES

Property taxes attach an enforceable lien on property by the county. Taxes are levied on June 30, and payable on October 30. The Village bills and collects its own property taxes. Property tax revenues are recognized when levied to the extent that they result in current receivables. The Village is permitted by the Municipal Finance Law of the State to levy taxes up to 15 mills total. The Village Council has allocated 10.5109 for governmental services.

NOTE B - REPORTING ENTITY

For financial reporting purposes, in conformance with NCGA Statement No. 3, Defining the Governmental Reporting Entity, the Village of Bancroft includes all funds, account groups, agencies, boards, commissions, and authorities that are controlled by or dependent on the Village's executive or legislative branches (the Village Mayor or the Council, respectively).

Based on the foregoing criteria, there are no entities included in the Village's annual report.

NOTE C - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	2-28-05 <u>BALANCES</u>	<u>INCREASES</u>	<u>DECREASES</u>	2-28-06 <u>BALANCES</u>
General Fixed Assets	\$ <u>112,847</u>	\$ <u>10,300</u>	\$ <u>-0-</u>	\$ <u>123,147</u>

VILLAGE OF BANCROFT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2006

NOTE D - WATER FUND OBLIGATIONS

On December 5, 2000, the Village of Bancroft financed bonds payable and generated additional funding for the construction of its Water system. These bonds mature on November 1, of each year and are payable with interest at 4.75% per annum.

On October 15, 2004 the Village financed additional bonds for \$500,000, also to be used for water system construction. These bonds mature on October 1, of each year and are payable with interest at 4.375% per annum. At February 28, 2006, only \$448,000 of the approved \$500,000 had been received.

The maturities on the bonds are as follows:

<u>YEAR ENDED</u>	<u>PRINCIPAL AMOUNT DUE</u>
2006	\$ 11,000
2007	12,000
2008	12,000
2009	13,000
2010	14,000
2011 and thereafter	959,000
	<u>\$1,021,000</u>

NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Village for the budgetary funds were adopted to the line item level.

During the year ended February 28, 2006, the Village did incur expenditures in excess of the amounts appropriated, as follows:

	<u>APPROPRIATED</u>	<u>ACTUAL</u>	<u>ACTUAL OVER APPROPRIATED</u>
General Fund:			
Village Telephone	\$ 1,572	\$ 1,616	\$ 44
Police Salary	25,000	28,391	3,391
Police Supplies	231	1,173	942
Village Salaries	24,043	26,368	2,325
Village Supplies	2,111	2,579	468
Village Utilities	10,820	10,842	22
Village Maint. & Repairs	1,501	4,192	2,691
Insurance	11,320	11,398	78
Health Insurance	1,200	1,250	50
Miscellaneous	1,192	1,212	20

VILLAGE OF BANCROFT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2006

NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS
(CONTINUED)

	<u>APPROPRIATED</u>	<u>ACTUAL</u>	<u>ACTUAL OVER APPROPRIATED</u>
Local Street Repairs	\$ 1,795	\$ 1,796	\$ 1
Equipment Fund:			
Depreciation	-0-	8,614	8,614
Water Fund:			
Contracted Services	613	13,113	12,500
Utilities	3,000	3,090	90
Operating Supplies	2,600	2,655	55
Depreciation	-0-	9,084	9,084
Computer Software	-0-	3,395	3,395

NOTE F - CASH AND CERTIFICATES OF DEPOSIT

The Village's deposits at February 28, 2006, consisted of cash at one financial institution:

<u>INSTITUTION</u>	<u>AMOUNT</u>	<u>FDIC INSURED</u>	<u>UNINSURED</u>
Demand Deposits	\$500,734	\$100,000	\$400,734
TOTALS	<u>\$500,734</u>	<u>\$100,000</u>	<u>\$400,734</u>

NOTE G - INTERFUND RECEIVABLES AND PAYABLES

At February 28, 2006, the individual interfund receivables and payables were:

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$ 1,155	\$
Equipment		1,155

NOTE H - SUBSEQUENT EVENTS

Beginning March 1, 2006 pension benefits will be provided for all full-time employees. Twenty years of prior service benefits were purchased for a Department of Public Works employee that retired March 1, 2006. This catch-up contribution was purchased from Municipal Employees Retirement System for a cost of \$39,710 to the Village. Current and future benefits will continue to be funded for all full time employees.

FINANCIAL STATEMENTS

OF

INDIVIDUAL FUNDS

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

VILLAGE OF BANCROFT
GENERAL FUND
BALANCE SHEETS
FEBRUARY 28, 2006

ASSETS

	<u>2006</u>
Cash in Bank	\$157,874
Prepaid Expenses	6,295
Due from Other Funds	1,155
Accounts Receivable	<u>11,789</u>
	<u>\$177,113</u>

LIABILITIES AND FUND BALANCE

Accounts Payable	\$ 3,031
Payroll Liabilities	<u>595</u>
	\$ 3,626
 Fund Equity - Unreserved	 <u>173,487</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$177,113</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF BANCROFT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED FEBRUARY 28, 2006

	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	ACTUAL (OVER) UNDER <u>BUDGET</u>
REVENUES:			
Current Property Taxes	\$ 84,090	\$ 89,412	\$ (5,322)
Tax Admin. Fee	840	884	(44)
State Shared Revenues	58,000	66,149	(8,149)
Franchise Fees	4,350	4,547	(197)
License & Permits	1,240	1,491	(251)
Fines	1,100	1,003	97
Interest & Dividends	1,250	4,219	(2,969)
Hall Rental	2,200	1,850	350
Miscellaneous	<u>-0-</u>	<u>4,025</u>	<u>(4,025)</u>
TOTAL REVENUES	\$153,070	\$173,580	\$ (20,510)
EXPENDITURES:			
Village Council:			
Salaries	\$ <u>2,968</u>	\$ <u>2,880</u>	\$ <u>88</u>
TOTAL VILLAGE COUNCIL	\$ 2,968	\$ 2,880	\$ 88
Elections:			
Salaries	\$ -0-	\$ -0-	\$ -0-
Supplies	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL ELECTIONS	\$ -0-	\$ -0-	\$ -0-
Clerk:			
Salaries	\$ 1,440	\$ 1,400	\$ 40
Miscellaneous	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL CLERK	\$ 1,440	\$ 1,400	\$ 40
Treasurer:			
Salaries	\$ 1,440	\$ 1,400	\$ 40
Miscellaneous	<u>416</u>	<u>366</u>	<u>50</u>
TOTAL TREASURER	\$ 1,856	\$ 1,766	\$ 90
Village Office:			
Supplies	\$ 198	\$ 197	\$ 1
Telephone/Internet	1,572	1,616	(44)
Publishing/Printing	173	173	-0-
Maintenance	584	584	-0-
Miscellaneous	<u>1,299</u>	<u>1,298</u>	<u>1</u>
TOTAL VILLAGE OFFICE	\$ 3,826	\$ 3,868	\$ (42)

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BANCROFT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (CONTINUED)
YEAR ENDED FEBRUARY 28, 2006

	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	ACTUAL (OVER) UNDER <u>BUDGET</u>
EXPENDITURES:			
Halls:			
Salaries	\$ 240	\$ 240	\$ -0-
Supplies & Deposits	260	211	49
Utilities & Telephone	2,277	2,277	-0-
Repairs & Maintenance	<u>10,375</u>	<u>10,375</u>	<u>-0-</u>
TOTAL HALLS	\$ 13,152	\$ 13,103	\$ 49
Police:			
Salary	\$ 25,000	\$ 28,391	\$ (3,391)
Training & Uniform	40	40	-0-
Operating Supplies & Misc.	231	1,173	(942)
Communications	575	524	51
Transportation	5,940	5,046	894
Membership Fees	<u>500</u>	<u>500</u>	<u>-0-</u>
TOTAL POLICE	\$ 32,286	\$ 35,674	\$ (3,388)
Parks/Recreation Dept:			
Salaries	\$ 1,638	\$ 1,638	\$ -0-
Supplies	67	66	1
Utilities	250	250	-0-
Activities	<u>250</u>	<u>250</u>	<u>-0-</u>
TOTAL PARKS & RECREATION	\$ 2,205	\$ 2,204	\$ 1
Zoning:			
Supplies	\$ 6,450	\$ 5,400	\$ 1,050
TOTAL ZONING	\$ 6,450	\$ 5,400	\$ 1,050
Village Properties:			
Salaries	\$ 24,043	\$ 26,368	\$ (2,325)
Services	3,657	965	2,692
Supplies	2,111	2,579	(468)
Utilities & Telephone	10,820	10,842	(22)
Maintenance & Repair	1,501	4,192	(2,691)
Equipment Rental	11,259	10,532	727
Water Support	<u>4,500</u>	<u>4,500</u>	<u>-0-</u>
TOTAL VILLAGE PROPERTIES	\$ 57,891	\$ 59,978	\$ (2,087)

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BANCROFT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (CONTINUED)
YEAR ENDED FEBRUARY 28, 2006

	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	ACTUAL (OVER) UNDER <u>BUDGET</u>
EXPENDITURES:			
General Administrative:			
Rubbish Collect	\$ 26,823	\$ 26,822	\$ 1
Worker's Comp. Ins.	2,519	2,519	-0-
Insurance	11,320	11,398	(78)
Payroll Taxes	10,700	7,861	2,839
Disability Insurance	1,037	1,037	-0-
Health Insurance	1,200	1,250	50
Legal & Accounting	1,955	1,903	52
Miscellaneous	<u>1,192</u>	<u>1,212</u>	(20)
TOTAL GENERAL ADMINISTRATIVE	\$ <u>56,746</u>	\$ <u>54,002</u>	\$ <u>2,744</u>
 TOTAL EXPENDITURES	 \$ <u>178,820</u>	 \$ <u>180,275</u>	 \$ <u>(1,455)</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 \$ (25,750)	 \$ (6,695)	 \$ (19,055)
 OTHER FINANCING SOURCES:			
Transfers In	\$ -0-	\$ -0-	\$ -0-
Transfers Out	<u> </u>	<u>-0-</u>	<u>-0-</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	 \$ <u>(25,750)</u>	 \$ (6,695)	 \$ <u>(19,055)</u>
 Fund Balance March 1, 2005		<u>180,182</u>	
 FUND BALANCE FEBRUARY 28, 2006		<u>\$173,487</u>	

The accompanying notes are an integral part of the financial statements.

SPECIAL REVENUE FUNDS

MAJOR STREET FUNDS

Major Street Fund is used to receive all Major Street monies paid to the Village by the state, to account for monies received from special tax levies for street improvement purposes, to account for monies received from General Fund contributions and to account for construction, maintenance and other authorized operations to all streets classified as Major Street.

LOCAL STREET FUND

Local Street Fund is used to receive all Local Street monies paid to the Village by the state, to account for monies received from special tax levies for street improvement purposes, to account for monies received from General Fund contributions and to account for construction, maintenance and other authorized operations to all streets classified as Local Street.

VILLAGE OF BANCROFT
COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
FEBRUARY 28, 2006

2006

	<u>MAJOR STREET FUND</u>	<u>LOCAL STREET FUND</u>	<u>COMBINED</u>
ASSETS:			
Cash in Bank	<u>\$72,351</u>	<u>\$29,486</u>	<u>\$101,837</u>

LIABILITIES AND FUND BALANCES

Fund Balance	<u>\$72,351</u>	<u>\$29,486</u>	<u>\$101,837</u>
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The accompanying notes are an integral
part of the financial statements.

VILLAGE OF BANCROFT
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
ALL SPECIAL REVENUE FUNDS
YEAR ENDED FEBRUARY 28, 2006

	<u>2006</u>		
	<u>MAJOR STREET FUND</u>	<u>LOCAL STREET FUND</u>	<u>COMBINED</u>
REVENUES:			
State Revenue Sharing	\$ 42,135	\$ 13,445	\$ 55,580
Interest Income	<u>2,215</u>	<u>886</u>	<u>3,101</u>
TOTAL REVENUES	\$ 44,350	\$ 14,331	\$ 58,681
EXPENDITURES:			
Salaries	\$ 9,072	\$ 7,683	\$ 16,755
Operating Supplies	820	847	1,667
Equipment Rental	13,012	12,132	25,144
Utilities & Misc.	168	50	218
Repairs	2,063	1,796	3,859
Audit	355	355	710
Street Renewal	<u>1,167</u>	<u>1,167</u>	<u>2,334</u>
TOTAL EXPENDITURES	\$ <u>26,657</u>	\$ <u>24,030</u>	\$ <u>50,687</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 17,693	\$ (9,699)	\$ 7,994
OTHER FINANCING SOURCES (USES):			
Transfers In	\$ -0-	\$ 10,534	\$ 10,534
Transfers Out	<u>10,534</u>	<u>-0-</u>	<u>(10,534)</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ <u>(10,534)</u>	\$ <u>10,534</u>	\$ <u>-0-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	\$ 7,159	\$ 835	\$ 7,994
Fund Balance March 1, 2005	<u>65,192</u>	<u>28,651</u>	<u>93,843</u>
FUND BALANCE FEBRUARY 28, 2006	\$ <u>72,351</u>	\$ <u>29,486</u>	\$ <u>101,837</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF BANCROFT
MAJOR STREET FUND
BALANCE SHEET
FEBRUARY 28, 2006

ASSETS

	<u>2006</u>
Cash in Bank	<u>\$72,351</u>
	<u>\$72,351</u>

LIABILITIES AND FUND BALANCE

Fund Balance	<u>72,351</u>
	<u>\$72,351</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF BANCROFT
MAJOR STREET FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 28, 2006

	<u>2006</u>		
	<u>AMENDED</u> <u>BUDGET</u>	<u>ACTUAL</u>	ACTUAL (OVER) UNDER <u>BUDGET</u>
REVENUES:			
State Shares Revenues	\$ 40,500	\$ 42,135	\$ (1,635)
Interest Income	<u>700</u>	<u>2,215</u>	<u>(1,515)</u>
TOTAL REVENUES	\$ 41,200	\$ 44,350	\$ (3,150)
EXPENDITURES:			
Salaries	\$ 9,160	\$ 9,072	\$ 88
Miscellaneous	1,345	1,343	2
Repairs	2,063	2,063	-0-
Street Renewal	5,086	1,167	3,919
Equipment Rental	<u>13,012</u>	<u>13,012</u>	<u>-0-</u>
TOTAL EXPENDITURES	\$ <u>30,666</u>	\$ <u>26,657</u>	\$ <u>4,009</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 10,534	\$ 17,693	\$ (7,159)
OTHER FINANCING USES:			
Transfers Out	(10,534)	(10,534)	-0-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ <u>-0-</u>	\$ 7,159	\$ <u>7,159</u>
Fund Balance March 1, 2005		<u>65,192</u>	
FUND BALANCE FEBRUARY 28, 2006		\$ <u>72,351</u>	

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BANCROFT
LOCAL STREET FUND
BALANCE SHEET
FEBRUARY 28, 2006

ASSETS

	<u>2006</u>
Cash in Bank	<u>\$29,486</u> <u>\$29,486</u>

LIABILITIES AND FUND BALANCE

Fund Balance	<u>\$29,486</u>
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The accompanying notes are an integral
part of the financial statements.

VILLAGE OF BANCROFT
LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 28, 2006

	<u>2006</u>		ACTUAL (OVER) UNDER BUDGET
	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	
REVENUES:			
State Shared Revenues	\$ 13,000	\$ 13,445	\$ (445)
Interest Earned	<u>300</u>	<u>886</u>	<u>(586)</u>
TOTAL REVENUES	\$ 13,300	\$ 14,331	\$ (1,031)
EXPENDITURES:			
Salaries	\$ 7,683	\$ 7,683	\$ -0-
Street Renewal	1,167	1,167	-0-
Miscellaneous	405	405	-0-
Supplies	847	847	-0-
Repairs	1,795	1,796	(1)
Equipment Rentals	<u>12,133</u>	<u>12,132</u>	<u>1</u>
TOTAL EXPENDITURES	\$ <u>24,030</u>	\$ <u>24,030</u>	\$ <u>-0-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (10,730)	\$ (9,699)	\$ (1,031)
OTHER FINANCING SOURCES:			
Transfers In	\$ 10,125	\$ 10,534	\$ (409)
Transfers Out	<u> </u>	<u> </u>	<u> </u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	\$ <u>(605)</u>	\$ 835	\$ <u>(1,440)</u>
Fund Balance March 1, 2005		<u>28,651</u>	
FUND BALANCE FEBRUARY 28, 2006		\$ <u>29,486</u>	

The accompanying notes are an integral
part of the financial statements.

INTERNAL SERVICE FUNDS

EQUIPMENT FUND

Equipment Fund is used to account for intergovernmental charges for operating expenses of equipment of the police and Department of Public Works. Disbursements from this fund pay those various operating expenses. Accumulations of monies in this fund will be used for replacement of such equipment.

VILLAGE OF BANCROFT
EQUIPMENT FUND
BALANCE SHEET
FEBRUARY 28, 2006

ASSETS

	<u>2006</u>
Cash in Bank	\$ 85,578
Prepaid Expenses	1,005
Fixed Assets (Net of Accumulated Depreciation)	<u>86,524</u>
	<u>\$173,107</u>

LIABILITIES AND RETAINED EARNINGS

Due to General Fund	\$ 1,155
Retained Earnings	<u>171,952</u>
	<u>\$173,107</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF BANCROFT
EQUIPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES
AND ANALYSIS OF CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 28, 2006

	<u>2006</u>		ACTUAL (OVER) UNDER <u>BUDGET</u>
	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	
OPERATING REVENUES:			
Equipment Rentals	\$ 35,000	\$ 37,940	\$ (2,940)
Interest Income	<u>1,200</u>	<u>3,915</u>	<u>(2,715)</u>
TOTAL REVENUES	\$ 36,200	\$ 41,855	\$ (5,655)
OPERATING EXPENSES:			
Salaries	\$ 4,704	\$ 4,704	\$
Gas & Oil	5,124	5,621	(497)
Operating Supplies	2,026	2,291	(265)
Depreciation		8,614	(8,614)
Repair & Maintenance	3,713	4,105	(392)
Equipment	55,276	-0-	55,276
Audit	279	279	-0-
Insurance	<u>1,823</u>	<u>1,926</u>	<u>(103)</u>
TOTAL EXPENSES	\$ <u>72,945</u>	\$ <u>27,540</u>	\$ <u>45,405</u>
NET INCOME (LOSS)	\$ (36,745)	\$ 14,315	\$ (51,060)
OTHER FINANCING SOURCES:			
Transfers In	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENSES	\$ <u>(36,745)</u>	\$ 14,315	\$ <u>(51,060)</u>
Retained Earnings March 1, 2005		<u>157,637</u>	
RETAINED EARNINGS FEBRUARY 28, 2006		<u>\$171,952</u>	

The accompanying notes are an integral
part of the financial statements

VILLAGE OF BANCROFT
EQUIPMENT FUND
STATEMENT OF CASH FLOWS
YEAR ENDED FEBRUARY 28, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Income (Loss)	\$ 14,315
Increase (Decrease) in Prepaid Expenses	103
Depreciation	8,614
(Increase) Decrease in Due to/From Other Funds	<u>1,155</u>
NET CASH PROVIDED BY (USED) OPERATING ACTIVITIES	\$ 24,187

CASH FLOW FROM INVESTING ACTIVITIES:

Purchase of Fixed Assets	\$ (55,276)
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CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>116,667</u>
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CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 85,578</u>
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SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash Paid During the Year for:

Interest	\$ <u>-0-</u>
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The accompanying notes are an integral
part of the financial statements.

ENTERPRISE FUND

Water Fund - To account for the provision of water services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration (utility director), operations, maintenance, financing and related debt service, and billing and collection.

VILLAGE OF BANCROFT
WATER FUND
BALANCE SHEET
FEBRUARY 28, 2006

ASSETS

2006

	<u>OPERATIONS & MAINTENANCE</u>	<u>WATER TOWER FUND</u>	<u>TOTAL</u>
CURRENT ASSETS:			
Cash	\$117,525	\$ 390	\$ 117,915
Cash - Reserves		37,530	37,530
Prepaid Expenses	314		314
Water Service Receivable	<u>16,830</u>		<u>16,830</u>
TOT CURRENT ASSETS	\$134,669	\$ 37,920	\$ 172,589
PROPERTY, PLANT & EQUIPMENT:			
Net of Accum. Depreciation	<u>83,430</u>	<u>\$1,000,227</u>	<u>\$1,083,657</u>
	<u>83,430</u>	<u>\$1,000,227</u>	<u>\$1,083,657</u>
	<u>\$218,099</u>	<u>\$1,038,147</u>	<u>\$1,256,246</u>

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES:			
Accounts Payable	\$ 859	\$	\$ 859
Accrued Interest Payable	15,841		15,841
Current Portion - Long-Term Debt		<u>11,000</u>	<u>11,000</u>
	\$ 16,700	\$ 11,000	\$ 27,700
LONG-TERM LIABILITIES:			
Bonds Payable		1,010,000	1,010,000
Retained Earnings	<u>201,399</u>	<u>17,147</u>	<u>218,546</u>
	<u>\$218,099</u>	<u>\$1,038,147</u>	<u>\$1,256,246</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BANCROFT
WATER FUND
STATEMENT OF REVENUE, EXPENSES
AND RETAINED EARNINGS - BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 28, 2006

	<u>2006</u>		ACTUAL (OVER) UNDER <u>BUDGET</u>
	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	
OPERATING REVENUES:			
Charges for Services	\$ 104,388	\$ 87,925	\$ 16,463
Interest Income	1,000	3,524	(2,524)
Hydrant Rent & Misc.	<u>4,500</u>	<u>4,500</u>	<u>-0-</u>
	\$ 109,888	\$ 95,949	\$ 13,939
OPERATING EXPENSES:			
Salaries	\$ 19,767	\$ 18,979	\$ 788
Operating Supplies	2,600	2,655	(55)
Repairs & Maintenance	12,100	3,665	8,435
Equipment Rental	3,800	2,263	1,537
Contracted Services	613	13,113	(12,500)
Utilities & Telephone	3,000	3,090	(90)
Audit & Legal	1,798	1,761	37
Interest Expense	60,486	44,987	15,499
Insurance	650	574	76
Depreciation		9,084	(9,084)
Computer Software		3,395	(3,395)
Lab Fees	1,400	1,089	311
Miscellaneous	<u>3,386</u>	<u>1,093</u>	<u>2,293</u>
TOTAL EXPENSES	\$ <u>109,600</u>	\$ <u>105,748</u>	\$ <u>3,852</u>
OPERATING INCOME (LOSS)	\$ 288	\$ (9,799)	\$ 10,087
OTHER FINANCING USES:			
Transfers In	\$	\$	\$
Transfers Out	<u> </u>	<u> </u>	<u> </u>
NET INCOME (LOSS)	\$ <u>288</u>	\$ (9,799)	\$ <u>10,087</u>
Retained Earnings March 1, 2005		<u>228,345</u>	
RETAINED EARNINGS FEBRUARY 28, 2006		<u>\$218,546</u>	

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF BANCROFT
STATEMENT OF CASH FLOW
WATER FUND
YEAR ENDED FEBRUARY 28, 2006

2006

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Income (Loss)	\$ (9,799)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	9,084
(Increase) Decrease in Prepaid Expenses	35
Increase in Water Service Receivable	(1,807)
Increase (Decrease) in Accounts Payable	577
Increase (Decrease) in Accrued Interest Payable	<u>15,841</u>
CASH PROVIDED (USED) FROM OPERATING ACTIVITIES	\$ 13,931

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Fixed Assets	(425,002)
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CASH FLOW FROM FINANCING ACTIVITIES:

Increase (Decrease) in Bonds Payable	<u>427,000</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 15,929
Cash and Cash Equivalents Beginning of Year	<u>139,516</u>
CASH AND CASH EQUIVALENTS END OF YEAR	<u>\$155,445</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash Paid During the Year For:	
Interest	\$ <u>44,987</u>

DISCLOSURE OF ACCOUNTING POLICY:

For purposes of the Statement of Cash Flows, the Village considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The accompanying notes are an integral part of the financial statements.

GENERAL FIXED ASSET ACCOUNT GROUP

To account for fixed assets not used
in proprietary fund operations.

VILLAGE OF BANCROFT
GENERAL FIXED ASSET ACCOUNT GROUP
BALANCE SHEET
FEBRUARY 28, 2006

	<u>2-29-05</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>2-28-06</u>
Village General Assets	\$ <u>112,847</u>	\$ <u>10,300</u>	\$ <u>-0-</u>	\$ <u>123,147</u>

The accompanying notes are an integral
part of the financial statements.



DEMIS and WENZLICK, P.C.

Certified Public Accountants

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May 3, 2006

Members of the Village Council
Village of Bancroft
Shiawassee County, MI

In compliance with the provisions of Section 11, Paragraph 2, of Act 2, Public Acts of 1968, we wish to render our report of comments and recommendations which were formulated as a result of the examination our firm performed on the financial statements of the Village of Bancroft for the year then ended February 28, 2006.

BUDGET

The Michigan Public Act 621 of 1978, includes compliance requirements in budgeting. Total expenditures cannot exceed total budgeted revenues plus beginning fund balance. Expenditures should be reviewed periodically and the budget amended before incurring any expense which would exceed the budgeted amounts.

We wish to thank the council for the excellent cooperation we received in performing the Village audit. If we can be of any further assistance to the Village on these matters or any future matters, please do not hesitate to contact us.

Sincerely yours,

Demis and Wenzlick, PC

Certified Public Accountants